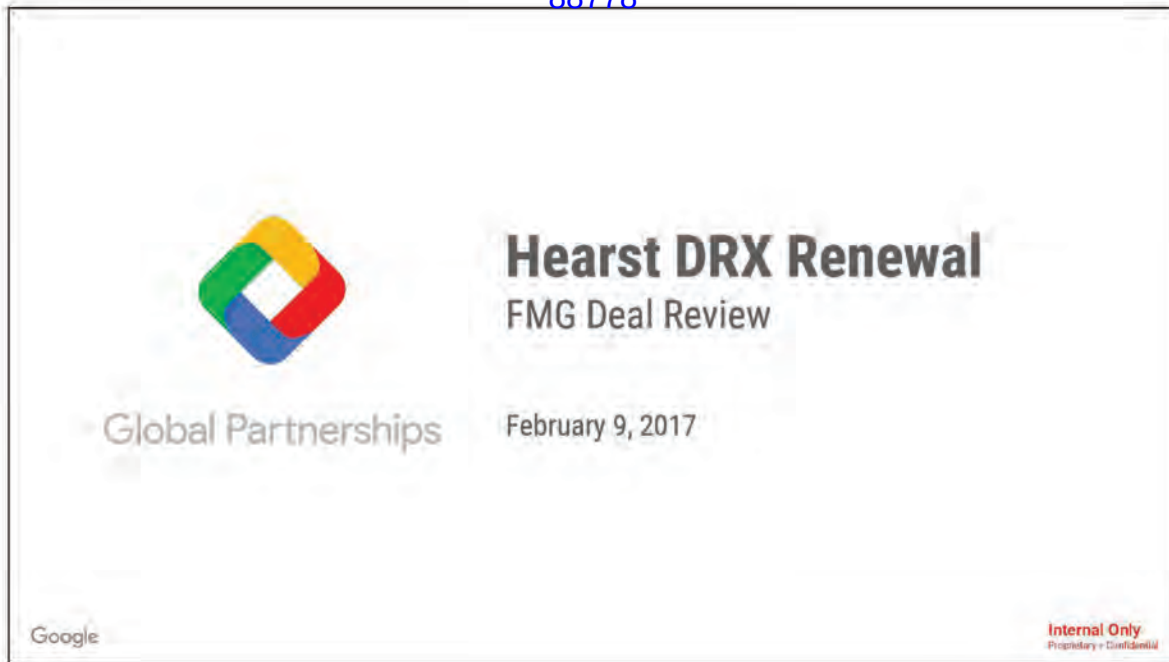


# **Plaintiffs' Exhibit 195**



Deal Representatives: Laurent Cordier, Justin Pang, Medha Vedepkash

## Executive Summary

### Proposing a three-year deal with Hearst Corporation worth \$64M per year\*

#### Core Deal

- **AdX rev-share:**
  - ◻ **Tiered AdX DA revenue share:** 80/20 <\$2M, 82.5/17.5 \$2-4M, 85/15 >\$4M
  - ◻ **Incentive to onboard AppNexus into Exchange bidding:** 0% rev-share offer for 12 months if Hearst first to run AN on EB
  - ◻ **Renewal of preferable AdX revenue shares:** PG/PD 95/5 and PA 90/10 ex AW
  - ◻ **Approval of 99/1 Self-bought Inventory** up to 300M imp/month
- **DFP discounts and promos:** 70% max CPM discount, 6 months free DFP core ad-serving and waived DFP fees for Google-monetized impressions
- **DBM:** 0.5% discounts on DBM fee bringing fee from 10% to 9.5%
- **Digital Growth Incentive:** \$800k per year for growth in online advertising subject to mutually defined initiatives and contingent on mutually agreed KPIs every 6 months. Proposed payment of \$400k paid immediately and every 6 months thereafter. **[FMG approval]**

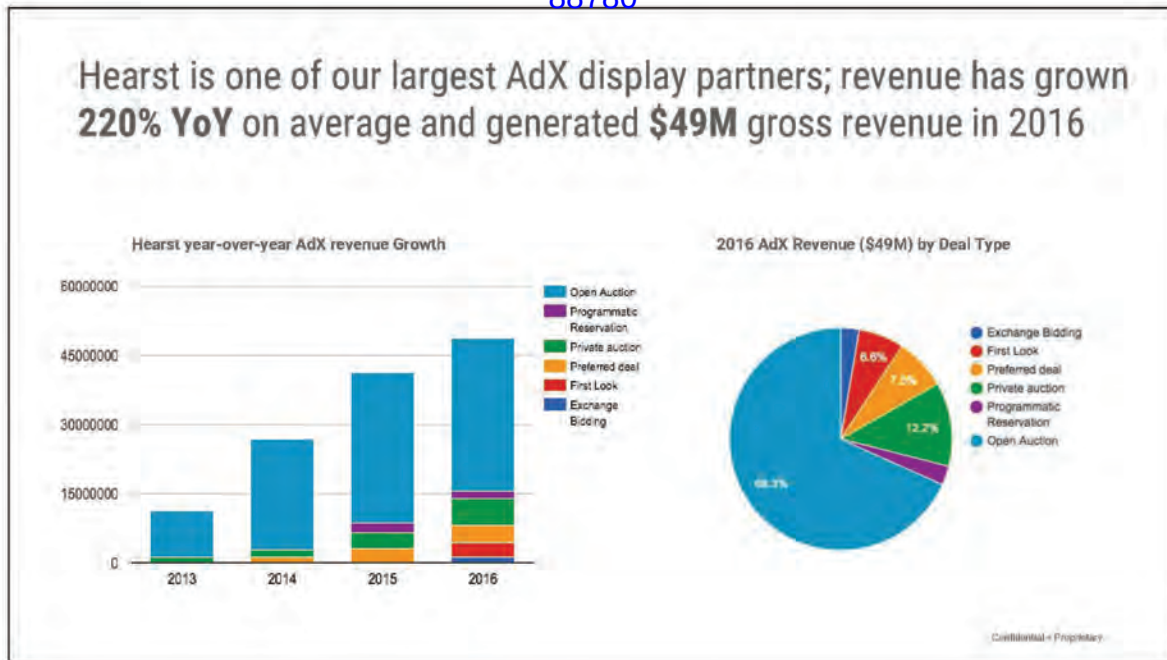
#### X-Google Incentives

- **Daydream:** potentially up to \$750k of one-time Daydream funding for content production for Hearst Magazines *(in process)*
  - **YouTube:** potentially up to \$100k of YouTube content development funding for Mobile Live and 360 content; YT video player on their O&O for free and with agreed specific rev-share while monetized by Hearst
- Potential (not-guaranteed) funding from Daydream and YT resources. FMG/PBSX approval not needed.*

Google

\*\$64M/year is expected value of Hearst's AdX partnership. Does not include x-Google revenue.

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Source: <https://docs.google.com/spreadsheets/d/1ManS7m7GJeGPkJTw0lohTtPI2Ck6ljsgqePMwn-Rou4/edit#gid=954314943&vpid=A24>



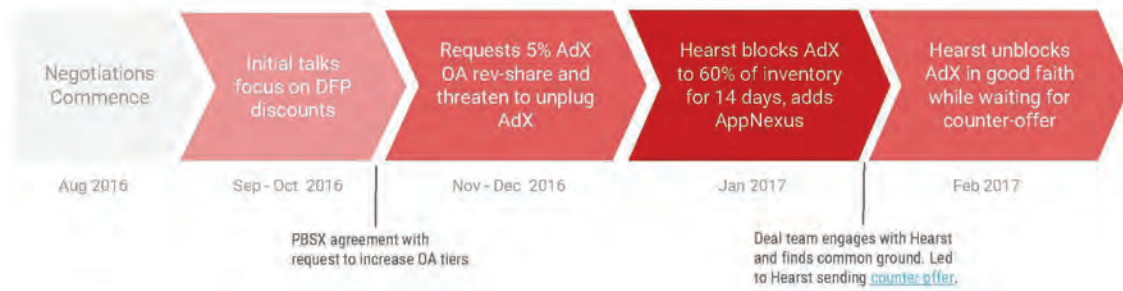
Hearst's total revenue grew less than 1% last year and the company is under intense pressure to reduce costs in 2017

**"More systematic access to the financial wins of these platforms (e.g. Google, Facebook) is important. This is the new media war...Going into negotiations with partners you need to be both a great partner and a good listener and **you can't be afraid to walk away.**"**

**Troy Young**  
*President, Hearst Magazines Digital Media*

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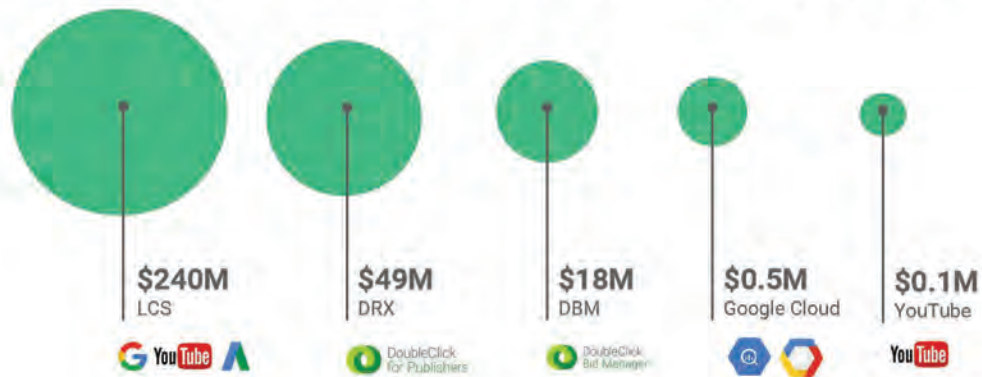
## DRX deal negotiations have intensified due to Hearst's cost reduction mandate, market competition and dissatisfaction with our OA rev-share



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Given the importance of the Hearst partnership to Google, we committed to taking an earnest look at their cost savings requests



Hearst's 2016 Revenue Contribution to Google by Product Area

Google

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After cross-functional debate we agreed that we could provide discounts on DFP but reducing OA rev-share would present high risk

Reasons to lower OA rev-share	Reasons <u>not</u> to lower OA rev-share
<ul style="list-style-type: none"><li>• In-line with SSP (i.e. AppNexus and Rubicon) competitive pricing</li><li>• Supports publisher business sustainability and role as strategic partner, not a vendor</li><li>• Discounting only non-Google demand continues to protect GDN/DBM margins and value prop as unique demand</li><li>• Block a potential "win" for AppNexus in the US</li></ul>	<ul style="list-style-type: none"><li>• Set new precedent for our AdX rev-share that will lead other pubs to demand the same rev-share</li><li>• Concede that non-Google demand in AdX is commoditized and risk further pricing pressure to continue</li><li>• Significant technical and operational changes required by Product and Revenue Accounting that would require resources</li><li>• Premature to offer new rates before pricing strategy reviewed more holistically</li></ul>

Based on internal debate we agreed to potentially (i) give back value in OA savings but via different mechanism and (ii) explore 'One Google' value exchange to further grow partnership

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After several conversations with Hearst we were able to get them to shift focus away from 5% OA rev-share to other forms of discounts

	Hearst Offer (received on 1/28)	Estimated Hearst Savings over 3- year Deal	Google Proposed Counter-offer (for approval by PBSX and FMG)	Estimated Hearst Savings Offered 3- year deal
<b>Open Auction</b>	- Adwords demand: 85/15% - DBM demand: 85/15% - Non-Google demand: 91.5/8.5%	\$3.1M	Renewal of tiered rev-share deal: 80/20 <\$2M, 82.5/17.5 \$2-4M, 85/15 >\$4M	\$0M
<b>Exchange Bidding</b>	Exchange bidding 0% for entire length of deal	\$0.9M	0% rev-share offer for 12 months if Hearst is first pub integrate AppNexus into EB	\$0.3M
<b>First Look</b>	First Look bidding: 12.4%	Included in OA	Included in OA rev-share	N/A
<b>DFP</b>	- When the impression is sold on AdX, no DFP fee - First six months of DFP fees are waived - CPM: \$0.0100	\$6.6M	- Waived DFP fees for Google-monetized impressions - 6 months free DFP core ad-serving - 70% max CPM discount at \$0.006	\$7.7M
<b>DBM</b>	None request	N/A	DBM: 0.5% discounts on DBM fee bringing fee from 10% to 9.5%	\$0.3M
<b>Digital Growth Incentive</b>	None request	N/A	Funding for growth in digital products and programmatic advertising subject to mutually agreed KPIs every 6 months.	\$2.4M

G

Avg: \$3.53M/yr

Avg: \$3.57M/yr

Source of estimate: [https://docs.google.com/spreadsheets/d/1Teika29UPT4BvdKD0PZVWn8Ujyu8kR-P-wTs7J0o\\_xA/edit#gid=0](https://docs.google.com/spreadsheets/d/1Teika29UPT4BvdKD0PZVWn8Ujyu8kR-P-wTs7J0o_xA/edit#gid=0)

## What does Google get?

### Google Display (DRX + DBM)

- A new model for top "lighthouse" publisher to grow digital revenue and invest in mutually beneficial strategic digital
- DRX renewal with top 10 AdX partner creates environment for continued revenue growth for the next 3 years
- Protect AdX rev-share
- Creates incentive to onboard AppNexus onto Exchange Bidding product
- Equal Footing on AdX

### Cross-Google

- Example of Google's 2017 strategic objectives to drive a healthier content ecosystem for publishers and bring value as "One Google"
- **Daydream:** Forcing function for Hearst to develop VR content for Day Dream exclusively (e.g. 150th anniversary of Harper's Bazaar)
- **YouTube:** Forcing function for Hearst to develop 360/live video content for YouTube and to adopt the YTFP player

*Based on potential (not-guaranteed) funding from Daydream and YT resources: FMG/PBSX approval not needed.*

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## Deal Model Summary

Scenario Summary: Full Term of Deal (36 months)		Hearst	06-Feb-17
Total DRX (USD000s)	Low	Base	High
Gross revenue	155,872	193,148	232,169
TAC (standard revenue share)	(114,365)	(142,957)	(171,548)
TAC (additional proposed)	(7,297)	(9,122)	(10,946)
Other Cost of Sales	(2,669)	(2,803)	(2,937)
<b>Gross margin</b>	<b>31,540</b>	<b>38,267</b>	<b>46,738</b>
Sales & GTech	(11,374)	(14,430)	(17,486)
<i>Additional Deal Specific Costs</i>	-	-	-
<b>Direct Operating Margin</b>	<b>20,166</b>	<b>23,837</b>	<b>29,251</b>
Network & Infrastructure	(2,799)	(3,549)	(4,299)
Eng / PM	(7,099)	(9,025)	(10,950)
Marketing, G&A & Other	(1,702)	(2,228)	(2,754)
<b>Operating margin</b>	<b>8,565</b>	<b>9,035</b>	<b>11,248</b>
<i>Operating margin (%)</i>	<i>5.5%</i>	<i>4.7%</i>	<i>4.8%</i>

Google

Source: [Deal Model](#)

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## Key Risks and Mitigating Factors

Risk	Description	Mitigation (proposed terms to be refined with legal)
Pricing and funding "contagion" risk	We are setting a new precedent for DFP prices and funding of the "Digital Growth Incentive" that we should expect will leak in the market	<ul style="list-style-type: none"> <li>NDA in place to minimize risk of leakage</li> <li>Include language in contract that this deal is granted to Hearst due to its strategic partnership with Google across products</li> <li>Google has the right to wind down terms and eliminate future digital growth initiative funding if mutually agreed upon <del>KPIs</del> are not achieved</li> </ul>
Competition	We are not asking Hearst for exclusivity so there is risk that Hearst could still work with other SSPs	<ul style="list-style-type: none"> <li>Require Equal Footing of AdX in DFP</li> <li>Minimum monthly revenue tiers ensure incentives are aligned to maintain or grow spend through AdX, not other SSPs</li> <li>Monitor monthly of trends DFP to ensure equal footing</li> </ul>
Six months free DFP ad serving	Risk that Hearst gets free DFP service for six months and moves ad serving to AppNexus in month 7	<ul style="list-style-type: none"> <li>Google has the right to clawback the value of the six months free DFP fees if Hearst falls below 10 billion impressions per month anytime throughout the 36 month term of the contract</li> </ul>

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### Weather Equal Footing Language:

2.3. Notwithstanding anything to contrary in the Agreement, during the Term of the Agreement (including any Renewal Term), AdX will have at least an equal opportunity to compete for all non-guaranteed advertising impressions (e.g., auction-based advertising impressions) not directly sold by Company (including, without limitation, all such advertising impressions on the Sites). For clarity, the foregoing obligation will not apply to the content recommendation services provided by Outbrain, Taboola or similar companies, or to advertising impressions on geographicspecific content pages of Sites (e.g., the local version of Weather.com in a particular city or country) sold by local resellers under contract with Company. For example, all AdX inventory settings may never be less favorable to AdX on all such impressions than settings selected on third-party advertising services. These settings include, but are not limited to: (i) allowed/restricted buyers, (ii) minimum CPMs, (iii) allowed/restricted ad technologies, and (iv) advertiser controls. In addition, Company will set its advertising allocation decision logic (e.g., DFP), such that (i) no third party has an opportunity to compete for non-directly sold advertising impressions ahead of AdX and (ii) minimum CPM thresholds are set in such advertising allocation decision logic that correspond with the minimum CPM thresholds set in each applicable demand source used by Company



## Cross-Functional Feedback Summary source: PBSX deal [doc](#)

Team	Feedback	Pros	Cons
Product jbb	Supportive, JB feels the most important goal is to win this renewal, so If Hearst rejects this offer I would ask that we revisit an AdX price concession instead of walking away.	<ul style="list-style-type: none"> <li>Provides Hearst discounts on DFP, rather than AdX</li> <li>Protects our AdX pricing and margins</li> </ul>	<ul style="list-style-type: none"> <li>May not necessarily protect us from Hearst shifting more business (incl. Ad serving) to AppNexus in the US</li> <li>Could give AppNexus a major reference publisher in the US, building on wins in Europe and Asia, plus Overstock win in US.</li> </ul>
Legal kawana	Ok, subject to cross-product review by respective counsel of negotiated deal terms involving DBM, YT, Play and GoogleHome.		
gTech heatherj, kenm	Supportive, no concerns on pricing. Sales (& Shared Services) should be accountable for the monitoring, reporting, and billing of non-standard revenue shares and pricing terms.		
Policy Mppowers	Supportive provided no non-standard policy terms or implementations.		

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## Cross-Functional Feedback Summary (Continued) source: PBSX deal doc

Team	Feedback	Pros	Cons
Finance cbrettier, iboste	See comprehensive Finance summary of key deal terms and Finance POV <a href="#">here</a> .	<ul style="list-style-type: none"> <li>• <b>Secures a relationship with a critical partner.</b> Hearst is a top 10 AdX pub with 2016 AdX revenues of \$52.3M. Hearst is also a very <a href="#">powerful</a> participant in the market and could attempt to influence other market participants if they choose to leave AdX.</li> <li>• <b>Does not drop AdX Open Auction 'list price' below 85/15.</b> The prior proposal for Hearst was to provide 91.5/8.5 rev share for AdX buyers on OA with the rest of OA at 85/15. This would've set a significant precedent in the market which could have led to direct erosion of our OA margins. In addition, the proposal to pay differential rates based on buyer type is operationally challenging (to do so accurately, involves ~10+ of engineering work).</li> <li>• <b>Communicates the value of 'One Google'.</b> Pulling in the various aspects of Google (DBM, YT, Daydream) helps to change the narrative to the partner from being simply about margin/price (a zero-sum game) to how Google can (uniquely) offer multiple sources of value ('growing the pie').</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Precedent-setting pricing concessions:</b> This offers our most preferential AdX Open Auction pricing with tiered rev share up to 85/15 (only offered to a handful of partners), and gives away \$7.8M of DFP revenue over 3 years. On top of this, we are offering an online advertising "incentive fund" of \$2.4M (\$800k/yr) which is intended to provide the same margin to Hearst as if we were offering the 85/91.5 AdX pricing. The effective rev share, inclusive of the incentive fund, is ~86.8% (apart from MG deals, we've never offered a partner &gt;85/15 revshare). On top of that, the team has identified additional areas of value across Google (up to \$750K for Daydream, \$100K for YouTube) so we are generating value to the partner even beyond the increased effective rev share and significant DFP discounts. Is it necessary to provide such concessions for this partner or can we negotiate harder here? Are we comfortable setting such a precedent?</li> <li>• <b>Contagion risk:</b> We are offering one of the most preferential deals of any AdX Pub, and Hearst has been quite vocal in the market which means both the terms and the approach (turning off OA during the negotiations) may become contagious to other partners. The impact on our overall economics if this approach spreads to other partners would be significant.</li> <li>• <b>Long-term strategy:</b> It's not clear what our strategy is for handling similar situations in the future in the event the contagion is real. It's not even clear how real the pricing pressure threat is (discounts are only ~0.6% of our total \$3.8B AdX OA business today, and recent high-profile losses (Axel Springer, Fairfax) were not clearly due to price). Although Hearst turned off roughly half of their OA business for ~2 weeks from 1/19-2/2, they have since completely turned it back on, and this is not the first time we've seen a partner take this approach (e.g., eBay turned off their AdX US business for ~2 months in Q2'16 during negotiations and we were able to renegotiate without giving up significant net margin). By meeting the demands of this one partner are we in effect creating a self-fulfilling prophecy of pricing pressure as this spreads to other partners? Should we instead offer less concessions, even at the risk of losing this one partner, until we can better understand the risks to the long-term economic viability of the business?</li> <li>• <b>Significant operational complexity:</b> there are many FK elements to this deal (multi-element arrangement, counting all transaction types toward AdX tiers, XB at 100/0 changing to 95/5, 'incentive fund') that add significant accounting complexity and we have not confirmed the ability to support.</li> </ul>

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## Summary of FMG Requests

### Approval Requests

- ❑ **Approval of ~\$800k/year funding for Digital Growth Incentive** subject to mutually agreed and defined initiatives and contingent on mutually agreed [KPIs](#) every 6 months. Payment of \$400k paid immediately and every six months thereafter.

### Rationale in support of deal

- **Maintains and grows partnership with top Google partner** that spends \$240M on Google via its agency (iCrossing), generates \$50M in annual AdX revenue, spends over \$20M per year on DBM and is investing more in our Google Cloud Platform
- **New model to support lighthouse publishing partners** that aligns revenue and product development incentives without conceding on our revenue shares

### Financial Highlights

- \$193.1M gross revenue; \$152.1M TAC; \$28.3M direct operating margin
- Source: [Test Model](#)

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## Preliminary Examples of Digital Growth Incentive KPIs

*To be mutually agreed upon with Hearst*

Area	Example KPIs for first six months
Premium Programmatic	<ul style="list-style-type: none"> <li>- \$24M (or \$4M/month) gross revenue over six months via AdX across all deal types</li> <li>- Publish case study and PR on Exchange Bidding partnership between Hearst and Google</li> <li>- Co-pitch of PG Audience Guarantee to one large advertiser (e.g. L'Oreal)</li> <li>- 100% of Hearst Digital Sales Team trained by Google Deals Team on Programmatic</li> <li>- 20% QoQ growth in revenue on Exchange Bidding</li> </ul>
Make Mobile Work	<ul style="list-style-type: none"> <li>- 100% of live AMP partners have audited and optimized AMP monetization</li> <li>- Educate and pitch all publishers on HTTPs</li> <li>- Live with AMP4Ads; commitment to do case study</li> </ul>
New Products	<ul style="list-style-type: none"> <li>- Participation in new betas (e.g. New Network, PG w/ audience Guarantee)</li> <li>- Commitment to test YT PFP on at least one of three major Hearst media divisions</li> <li>- Participation in Mobile Speed Audit across all three media divisions</li> </ul>
Content Creation	<ul style="list-style-type: none"> <li>- Development of exclusive YT content (360/Live/Red)</li> <li>- Timeline delivery of Daydream content</li> </ul>

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## Hearst Deal Options: Side-by-side Comparison

Over 3 Year Deal Term							
Component of Deal	Current Terms	Hearst Counteroffer	PBSx Proposal	Delta (vs. Counteroffer)	Notes		
DFP Fees (using deal model volume assumptions)	\$10.0m in DFP Gross Revenue	\$3.4m	\$2.3m	<b>\$1.1m</b>	\$1.1M decrease in DFP fees paid to Google (Delta due to Core DFP CPM reduction from .01 to .006)		
AdX Rev-Share (using deal model volume assumptions)	\$37.4M in AdX Gross Margin	\$34.3m	\$37.4m	<b>-\$3.1m</b>	\$3.1M increase in AdX Gross Margin kept by Google due to max 85% rev-share vs. 91.5% on AdX Buyers		
Discount in DBM Fees (\$1.75m monthly spend)	\$6.3M in DBM fees	\$6.3m	\$6.0m	<b>\$0.3m</b>	\$300K decrease in DBM fee paid to Google due to reduction from 10% to 9.5%		
Exchange Bidding Rev-Share (\$500K monthly revenue)	\$900K in EB Gross Margin	\$0K	\$600K	<b>-\$600K</b>	\$600K increase in EB rev-share kept by Google due to 1 year free vs. requested 3 years		
Digital growth initiative funding	No current funding	\$0.0m	-\$2.4m	<b>\$2.4m</b>	(plug) \$2.4M paid by Google to make PBSx proposal equivalent in value to Hearst counteroffer	Digital Growth Initiative Annual Funding:	\$800,000
<b>Total</b>				<b>\$0.0m</b>			

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[https://docs.google.com/spreadsheets/d/1TeikA29UPT4BvdKD0PZVWn8Ujyu8kR-P-wTs7J0o\\_xA/edit#gid=0](https://docs.google.com/spreadsheets/d/1TeikA29UPT4BvdKD0PZVWn8Ujyu8kR-P-wTs7J0o_xA/edit#gid=0)

## Other Google Team Discount/Funding Status



Team	Potential Savings	Confidence	ROC
DBM 	\$105k saving from 0.5% discounts on DBM fee.	High	Jay Vanderzee
Daydream/Play 	Up to \$750k of one-time Daydream funding for content production for Hearst Magazines	Medium	Lisa Martinez
YouTube 	Up to \$100k of YouTube content development funding for Mobile Live and 360 content; potential video hosting	Medium/Low	Jon Zepp

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Ad Exchange Term Proposal		
 <small>Global Performance</small>		
Category	Current Terms	Proposed Terms
Open Auction Tiers (incl. DFL)	80/82.5/85 with tiers of \$0/\$2/\$4	\$0/\$2M/\$4M at 80/82.5/85% - Renewed All transaction types and buyer types counting towards the tiers No change in tiers from year-to-year
Private Auction	90% (excludes AdWords)	90% (excludes AdWords) - Renewed
Preferred Deal	95%	95% - Renewed
Programmatic Guaranteed	95%	95% - Renewed
Exchange Bidding	95%	95% - Renewed. 100% one-year "first-mover" deal if Hearst is the first publisher to onboard AppNexus onto EB and meet mutually agreed milestones
Self-Bought Impressions	99%, Capped at 200M impressions per month	99% - Renewed, Capped at 300M impressions per month (increased)
<b>Revenue Projection = \$190M for total 3-Year Term</b>		
		<b>Internal Only</b> <small>Proprietary + Confidential</small>



DFP Ad Serving Term Proposal		
		
Category	Current Terms	Proposed Terms
DFP Core Ad Serving	-10%	-70%
Google Monetized Impressions	Serving Fee Applies	Serving Fee Waived
DFP Promotion	N/A	One-time waiver of six-months of DFP fees in exchange for signing 3-year contract
Effective DFP Discount = \$2.3M for total 3-Year Term		
		
Internal Only Proprietary + Confidential		

## The latest offers from each party

	Latest Google Offer (shared on 1/11)	Hearst Counter-offer (received from Mike Smith 1/28)
<b>Open Auction</b>	Renewal of tiered AdX OA revenue share (on basis of monthly gross revenue across all transactions): 80/20 <\$2M, 82.5/17.5 \$2-4M, 85/15 >\$4M	Open Auction Adwords demand: Google fee goes from 16% to 15%
		Open Auction DBM: Google fee goes from 16% to 15%
		Open Auction non-Google demand: Google fee goes from 16% to 8.5%
<b>DFP</b>	25% DFP rate discount to \$0.014 at highest tier Waive DFP fee for Google-monetized impressions	40% DFP rate discount at \$0.010 at highest tier Waive DFP fee for Google-monetized impressions First six months of DFP fees are waived
<b>Exchange Bidding</b>	Standard 95/5 rev-share	Exchange bidding Google fee goes from 5% to 0%
<b>First Look</b>	Same rates as open auction	First Look bidding Google fee goes from 16% to 12.4%

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## X-fn Feedback on Potential 8.5% OA (non-Google Demand) Rev-share

Team	Overall Feedback	Bar/Mo/Co
<b>Product</b> (Jonathan Bellack, Max Loubser)	<ul style="list-style-type: none"> <li>Paul and Eisar support concept of discounted rev-share for non-Google demand</li> <li>Creating auction to run at different rev-shares would require two months of Eng work.</li> <li>True up calculation at end of each billing cycle would be simple to implement but auction would not compete at most accurate CPMs</li> </ul>	Go. Implement with monthly "true-up" each period.
<b>Commercialization</b> (Chris LaSala)	<ul style="list-style-type: none"> <li>Would pre-emptively set new market standard without us having a thoughtful review of our overall pricing strategy</li> </ul>	No-go. Need to assess broader pricing strategy and if this deal fits within framework.
<b>PSI</b> (Jerome Gateau)	<ul style="list-style-type: none"> <li>Concerned about taking an one-off decision on Hearst without taking the time to review and define our overall rev share strategy</li> <li>Worry about the risk of agreeing on the proposed terms without risking that this discount leaks to other pubs. Every pub could now stop using AdX and pretend they make more money with any other SSP and ask us for a discount.</li> </ul>	No-go. Need to assess broader pricing strategy and if this deal fits within framework.
<b>Sales Finance / Accounting</b> (Ezra Brettler, Andrey Donov, Lauren Coste, Henry So)	<ul style="list-style-type: none"> <li>Economic impact of the proposed pricing - not just for Hearst, but for the business overall, as this could set a precedent.</li> <li>As a finance person, two obvious flags here are: (i) this will result in effective OA rev share of around 87%, which will be highest globally, and a precedent (at the moment no partner gets &gt; 85) and (ii) 2nd precedent is pricing by source of demand, which we have also never done and our finance systems are not set up in such way. We do billing by transaction type, not by source of demand.</li> <li>Revenue accounting does not have SOX certified reporting that ties to final monetized amounts that breaks out transactions by Buyer/Transaction type. Will not be able to execute without this.</li> </ul>	Tentative. Ok to make monthly payments vis "true-up". Pricing precedent remains a concern.
<b>Legal/Competition Counsel</b> (Kawana King, Sara Walsh)	<b>Redacted - Privilege</b>	

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## Summary of PBSX Requests

### Approval Requests

- ❑ **Renewal of tiered AdX OA revenue share** (on basis of monthly gross revenue across all transactions): 80/20 <\$2M, 82.5/17.5 \$2-4M, 85/15 >\$4M
- ❑ **Approval of ~\$800k/year funding** for strategic development fund in light of competitive pricing pressure. \$400k to be paid at beginning of deal and every 6 months thereafter.
- ❑ **70% max DFP discount with 6 months free DFP core ad-serving and waived DFP fees for Google-monetized impressions**
- ❑ **Approval of 0% Exchange Bidding rev-share** if Hearst is first to integrate AppNexus into Exchange Bidding
- ❑ **Renewal of preferable AdX revenue shares:** PG/PD 95/5 and PA 90/10 ex AW
- ❑ **Approval of 99/1 Self-bought Inventory** up to 300M imp/month

### Rationale in support of deal

- **Maintains partnership with top Google partner** that generates \$50M in annual AdX revenue, spends \$240M on Google via its agency (iCrossing) and is investing more in our Google Cloud Platform
- **Creates incentive to onboard AppNexus onto Exchange Bidding product**

### Financial Highlights

- \$195.3M gross revenue; \$152.1M TAC; \$28.3M direct operating margin

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### Hearst is expected to be the second largest AdX partner for NBLC

Top Partner (JBP link)	2016 Q4 AdX Rev YoY	Current AdX Run Rate**	Est Partner's rev from digital adv*	AdX as% of their digital adv rev	Health of Overall Reln.	Compet. Risk	Engagement areas/Opportunity in 2017
Google	84%	\$77M	na	Na			PG activation, mWeb international traffic, Native, Integr into Android Auto and Waze
Hearst	42%	\$71M	~\$300M	22%			Exchange bidding, Google Cloud, YT 360/Live/Red, GA360 to inform creation and distr.
News Corporation	109%	\$57M	\$800M	~7%			Global AdX/DRX deal? AdX apps, Support subscription growth.
Amazon	52%	\$55M	\$400M	14%			Grow PG, Video out-stream and Native on AdX
Yahoo	22%	\$39M	~\$100M	35%-40%			Exchange bidding, DFP Native, PWA, A4A, Cloud/Big Query
AT&T	113%	\$36M	\$470M	7%			AMP, DFP DAI, Native Reservations, DRX Unification.
Twitter	96%	\$33M	\$200M	16%			PG, Explore local host, sponsorship support, Daydream VR, Support subscription growth
Netflix	428%	\$31M	~800M	4%			Native (via DRX S2S), Expand Profiles on AMP, PWA
Facebook	139%	\$27M		~16%			Grow PG, Native ad formats for mWeb, AMP, PWA inc localhost and sponsorship.
Liberty/Comcast	241%	\$26M	~175M	15%			AMP across all 22 properties, A4A partnerships, DFP Native, Exchange bidding, YT.

Google      \*\*Pundtale based on 4x Revenue in Q4'16      Confidential + Proprietary

Here are the top partners that we have identified. They reflect 60% of our revenue and 80% of growth. Because of the growth we have had, we are becoming more important to their business, asking for more aggressive rates (lower margins), . bring more one-google approach/ leverage while negotiating these contracts.

NYtimes reported \$44M in digital ad revenue + 59M in subsc in Nov'16:

[https://www.nytimes.com/2016/11/03/business/media/new-york-times-co-reports-an-advertising-drop-though-digital-results-grew.html?\\_r=0](https://www.nytimes.com/2016/11/03/business/media/new-york-times-co-reports-an-advertising-drop-though-digital-results-grew.html?_r=0)

NewsCorp \$293M in 2017Q1. 24% of their news and information services business.

[https://newscorpcom.files.wordpress.com/2016/11/q1-2017-press-release\\_final\\_11072016-12pm.pdf](https://newscorpcom.files.wordpress.com/2016/11/q1-2017-press-release_final_11072016-12pm.pdf)

Linkedin - Last quarter results before acq ~\$1B/qtr <https://investors.linkedin.com/events-and-news/corporate-press-releases/press-release-details/2016/LinkedIn-Announces-Third-Quarter-2016-Results/default.aspx>

Time Inc: Digital ad rev ~\$130M <https://invest.timeinc.com/invest/financials/financial-press-releases/press-release-details/2016/Time-Incs-Digital-Advertising-Revenue-Increased-63-in-the-Third-Quarter/default.aspx>

Gannett: Total third quarter digital revenues (advertising and circulation) of \$205 million. Digital advertising revenues of \$98.8 <http://investors.gannett.com/press-release/gannett-reports-third-quarter-2016-results-operations>

Hearst \$10.8B    □ Digital 3% = 300M  
Google 70\$M